

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01 STR-04 /098 W

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R 111100Z SEP 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1327

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY OSLO

AMEMBASSY VIENNA

USMISSION OECD PARIS

AMCONSUL ZURICH

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EO 11652: N/A

TAGS: EFIN EEC SZ

SUBJ: SWITZERLAND AND THE SNAKE

REF: BERN 2997

1. SUMMARY: A HIGH-LEVEL SWISS GOVT OFFICIAL HAS TOLD US THAT
IT IS NOW SWISS GOVT POLICY TO JOIN THE SNAKE PROVIDED SUITABLE
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CONDITONS CAN BE NEGOTIATED. HE SAID THE DECISION HAD BEEN TAKEN

BY THE FEDERAL COUNCIL.

2. AMBASSADOR JOLLES, DIR, DIVISION OF COMMERCE, TOLD THE CHARGE AND THE ECON/COM COUNSELOR ON SEP 10 THAT IT IS NOW THE POLICY OF THE SWISS GOVT TO JOIN THE SNAKE IF (UNSPECIFIED) SUITABLE CONDITIONS CAN BE MET.

2. HIS STATEMENT WOULD EXPLAIN A GROWING NUMBER OF COMMENTS ON THIS SUBJECT FROM CONTACTS IN THE PRIVATE COMMUNITY TO THE EFFECT THAT THEY NOW BELIEVE, AS MOST DID NOT A MONTH AGO, THAT SWITZERLAND WILL JOIN. THERE IS STILL OPPOSITION WITHIN THE SWISS ADMINISTRATION AND THE PRIVATE COMMUNITY, WHICH PRESUMABLY EXPLAINS THE LACK OF CLARITY IN THE SIGNALS WE HAVE BEEN GETTING UP TO NOW, BUT JOLLES'S STATEMENT INDICATES THAT THIS OPPOSITION HAS BEEN OVERRULED, AT LEAST FOR THE TIME BEING, AND THAT THOSE SUPPORTING THE SWISS NATIONAL BANK VIEW IN FAVOR OF JOINING HAVE WON.

4. APPARENTLY THE SWISS DECISION IS PRIMARILY DUE TO A RENEWED DESIRE TO SEEK ASSISTANCE IN PREVENTING ANY FURTHER APPRECIATION OF THE SWISS FRANC.

5. WHILE THERE ARE NEARLY AS MANY SWISS ESTIMATES OF WHAT THE "NORMAL" RATES FOR THE SWISS FRANC SHOULD BE AS THERE ARE SWISS ESTIMATORS, JOLLES SAID THAT THE RATE AGAINST THE DOLLAR SHOULD BE "CLOSER TO 3 THAN TO 2.50." AS FOR THE DM RATE, ESTIMATES RANGE FROM 107 TO 126. WHATEVER THE "NORMAL" RATE, JOLLES STATED THAT SWISS GOVT OFFICIALS ARE PERSUADED THAT SWITZERLAND IS RAPIDLY LOSING MARKETS IN THIRD COUNTRIES TO US AND OTHER FOREIGN COMPETITION, AND THAT THESE LOSSES ARE DUE IN LARGE PART TO SWISS FRANC APPRECIATION. THEY FEAR THAT THE SWISS NATIONAL BANK WILL BE FORCED TO CONTINUE TO INTERVENE HEAVILY IN THE FOREIGN EXCHANGE MARKET TO PREVENT FURTHER EROSION OF THE SWISS EXPORT POSITION AND THAT THE RESULT WILL BE INCREASED INFLATIONARY PRESSURE IN SWITZERLAND, THEREBY DEFEATING, AT LEAST IN PART, THE PURPOSE OF THE INTERVENTION. THOSE OFFICIALS WHO HAVE ARGUED FOR ADOPTION OF A POSITION IN FAVOR OF JOINING THE SNAKE BELIEVE THAT JOINING WILL EASE THE PRESSURE ON THE FRANC SIGNIFICANTLY.

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6. NEITHER JOLLES NOR ANY OTHER SWISS OFFICIAL WITH WHOM WE HAVE DISCUSSED THIS MATTER IS SANGUINE THAT FRANCE WOULD AGREE TO ALLOW SWITZERLAND TO JOIN AT THIS TIME. JEAN ZWAHLEN, FOR EXAMPLE, CHIEF, ECONOMIC AND FINANCIAL SERVICES, POLITICAL DEPT, TOLD THE ECON/COM COUNSELOR THAT HE IS CONVINCED THE FRENCH DECISION TO RE-JOIN WAS POLITICAL AND MADE AGAINST THE ADVICE OF TOP FRENCH ECONOMIC POLICY MAKERS, AND THAT THERE IS CONTINUED STRONG OPPOSITION TO ANOTHER STRONG

CURRENCY JOINING THE SNAKE. HE EXPECTS IN PART THAT AS
A RESULT OF FRENCH OPPOSITION, DIRECT OR INDIRECT, THE
MEETING WITH THE EC ON SEP 22 WILL NOT PRODUCE IMMEDIATE
RESULTS. RATHER IT WILL BE AN EXPLORATION OF INITIAL POSITIONS,
AND THE QUESTION OF SWISS ENTRY INTO THE SNAKE WILL THEN BE
TURNED OVER TO GROUPS OF EXPERTS FOR FURTHER STUDY.
ODELL

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